

**Adams School
Sigel Twp School District #3
Bad Axe, MI**

**FINANCIAL REPORT
June 30, 2008**

Adams School

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Midwest Accounting, P.C.
101 N Port Crescent St
Bad Axe, MI 48413
989-269-9966

Independent Auditor's Report

To the School District Board
Adams School
Bad Axe, MI 48413

We have audited the accompanying general purpose financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Adams School as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Adams School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Adams School as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2008, on our consideration of Adams School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adams School's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Midwest Accounting, P.C.

Midwest Accounting, P.C.

November 10, 2008

Midwest Accounting, P.C.

101 N Port Crescent St

Bad Axe, MI 48413

989-269-9966

**Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

To the Township Board
Adams School
Bad Axe, MI 48413

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams School as of and for the year ended June 30, 2008, which collectively comprise Adams School's basic financial statements and have issued my report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adams School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Adams School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Adams School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Adams School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Adams School's financial statements that is more than inconsequential will not be prevented or detected by Adams School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Adams School's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Midwest Accounting, P.C.

Midwest Accounting, P.C.
November 10, 2008

Adams School
Statement of Net Assets
June 30, 2008

Assets

Current Assets

Cash and Investments	\$ 237,551.47
Taxes and Accounts Receivable	<u>17,560.52</u>
Total Current Assets	<u>255,111.99</u>

Non Current Assets

Land	3,600.00
Building	115,609.00
Computers, Furniture and Equipment	41,456.00
Less Accumulated Depreciation	<u>(69,648.00)</u>
Net Property and Equipment	<u>91,017.00</u>
Total Non Current Assets	<u>91,017.00</u>
Total Assets	<u><u>\$ 346,128.99</u></u>

Liabilities and Net Assets

Current Liabilities

Non Current Liabilities

Net Assets

Invested in capital assets net of related debt	91,017.00
Unrestricted	<u>255,111.99</u>
Total Net Assets	<u><u>\$ 346,128.99</u></u>

The accompanying notes are an intergral part of the financial statements

Adams School
Statement Of Activities
For the Year Ended June 30, 2008

Governmental Activities

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Program Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities				
Instruction	\$ 49,779.99	\$ 0.00	\$ 0.00	\$ (49,779.99)
Support Services	48,462.04	0.00	16,373.94	(32,088.10)
Unallocated Depreciation	5,041.00	0.00	0.00	(5,041.00)
Total Governmental Activities	<u>\$ 103,283.03</u>	<u>\$ 0.00</u>	<u>\$ 16,373.94</u>	<u>(86,909.09)</u>
General Revenues				
Property Taxes General				3,588.41
Investment Earnings				6,012.70
State Sources				96,539.38
Other				<u>1,307.66</u>
Total General Revenues				<u>107,448.15</u>
Change in Net Assets (Deficit)				20,539.06
Prior Period Adjustment				(36,716.00)
Net Assets Beginning of Year				<u>362,305.93</u>
Net Assets End of Year				<u>\$ 346,128.99</u>

The accompanying notes are an integral part of the financial statements

**Adams School
Balance Sheet
Governmental Funds
June 30, 2008**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets		
Cash and Investments	\$ 237,551.47	\$ 237,551.47
State Aid Receivable	<u>17,560.52</u>	<u>17,560.52</u>
Total Assets	<u><u>\$ 255,111.99</u></u>	<u><u>\$ 255,111.99</u></u>
Liabilities and Fund Equity		
Liabilities		
Fund Equity		
Unreserved	<u>255,111.99</u>	<u>255,111.99</u>
Total Fund Equity	<u><u>255,111.99</u></u>	<u><u>255,111.99</u></u>
Total Liabilities and Fund Equity	<u><u>\$ 255,111.99</u></u>	<u><u>\$ 255,111.99</u></u>
Total Governmental Fund Balances		\$ 255,111.99
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not reported in the funds		
The cost of the capital assets are		160,665.00
Less Accumulated Depreciation		(69,648.00)
Long-Term Liabilities are not due and payable in the current period and are not reported in the funds		
Net Assets of Governmental Activities		<u><u>\$ 346,128.99</u></u>

The accompanying notes are an integral part of the financial statements

Adams School
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Local Sources	\$ 3,588.41	\$ 3,588.41
Federal Sources	16,373.94	16,373.94
State Sources	96,539.38	96,539.38
Interest	6,012.70	6,012.70
Miscellaneous	1,307.66	1,307.66
	<hr/>	<hr/>
Total Revenues	123,822.09	123,822.09
	<hr/>	<hr/>
Expenditures		
Instruction	49,779.99	49,779.99
Support Services	48,462.04	48,462.04
	<hr/>	<hr/>
Total Expenditures	98,242.03	98,242.03
	<hr/>	<hr/>
Excess of Revenues over Expenditures	25,580.06	25,580.06
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Operating Transfers in	0.00	0.00
Operating Transfers out	0.00	0.00
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	0.00	0.00
	<hr/>	<hr/>
Excess of Revenues and Other Over(Under)Expenditures and Other Us	25,580.06	25,580.06
	<hr/>	<hr/>
Fund Balance at Beginning of Year	221,487.74	221,487.74
	<hr/>	<hr/>
Prior Period Adjustment	8,044.19	8,044.19
	<hr/>	<hr/>
Fund Balance at End of Year	<u>\$ 255,111.99</u>	<u>\$ 255,111.99</u>

The accompanying notes are an integral part of the financial statements

Adams School
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Net Change in Fund Balances Total Governmental Funds	\$ 33,624.25
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures in the year incurred and depreciation is recorded for assets in the statement of activities

Depreciation Expense	(5,041.00)
Capital Outlay	0.00

Accrued Interest on bonds is recorded in the statement of activities when incurred it is not recorded in governmental funds until it is paid

Proceeds and repayments of principal on long-term debt are revenues and expenditures in the government funds, but not in the statement of activities

Change in Net Assets of Governmental Activities	<u>\$ 28,583.25</u>
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Adams School
Notes to the Financial Statements
June 30, 2008

Note 1 - Summary of Significant Accounting Policies:

The basic financial statements of the Adams School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Adams School (the "District") is governed by the Adams School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity and defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter fund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The Statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as a program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

Adams School
Notes to the Financial Statements
June 30, 2008

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustain ability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Adams School
Notes to the Financial Statements
June 30, 2008

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The state of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Adams School
Notes to the Financial Statements
June 30, 2008

D. Other Accounting Policies

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB State No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes

No Property taxes were levied by the District for the year ended June 30, 2008

Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectible's.

Adams School
Notes to the Financial Statements
June 30, 2008

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and Additions	20 - 40 years
Furniture and other Equipment	5 - 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$1,500. Group purchases are evaluated on a case-by-case basis.

Compensated Absences

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the re acquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld form the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Adams School
Notes to the Financial Statements
June 30, 2008

Note 2 - Stewardship, Compliance and Accountability:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.

4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds.

6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

Adams School
Notes to the Financial Statements
June 30, 2008

Note 3 - Cash and Investments:

Deposits

The District's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the District's deposits was \$237,551.47 and the bank balance was \$237,551.47.

Investments

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of June 30, 2008, the District had investments consisting of certificates of deposit which the carrying amount and the bank balance was \$113,602.30.

The total District cash and investments amounted to \$237,551.47 as of June 30, 2008 and \$237,551.47 was covered by Federal Depository Insurance.

Note 5 - Employee Retirement System - Defined Benefit Plan:

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and post retirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contributed at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

Adams School
Notes to the Financial Statements
June 30, 2008

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 12.99% of payroll through September 30, 2007 and 12.99% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008 were \$5,155.03

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post employment Benefits - Under the MPSERS' Act, all retirees have the option of continuing health, dental, and vision coverage.

Note 6 - Prior Period Adjustment:

The financial statement contains a prior period adjustment decreasing fund equity by \$ 36,716.00 This amount is broken down as follows:

Costs and Expenses improperly capitalized	\$44,760.19
Correct opening cash balance	(4,229.66)
Correct interest income on Certificate of Deposit	<u>(3,814.53)</u>
Total Prior Period Adjustment	\$36,716.00

Required Supplemental Information

Adams School
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2008

	<u>General Fund</u>				
			<u>Variance</u> <u>Original</u> <u>Compared to</u> <u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>Actual</u> <u>Compared to</u> <u>Final</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues					
Local Sources	\$ 2,000.00	\$ 3,588.00	\$ 1,588.00	\$ 3,588.41	\$ 0.41
Federal Sources	20,332.00	20,361.00	29.00	16,373.94	(3,987.06)
State Sources	94,636.00	94,263.00	(373.00)	96,539.38	2,276.38
Special Education	5,945.00	7,015.00	1,070.00	0.00	(7,015.00)
Interest	1,000.00	1,126.00	126.00	6,012.70	4,886.70
Miscellaneous	0.00	0.00	0.00	1,307.66	1,307.66
Total Revenues	<u>123,913.00</u>	<u>126,353.00</u>	<u>2,440.00</u>	<u>123,822.09</u>	<u>(2,530.91)</u>
Expenditures					
Instruction	59,373.00	50,937.00	(8,436.00)	49,779.99	1,157.01
Support Services	53,649.00	50,048.00	(3,601.00)	48,462.04	1,585.96
Capital Outlay	<u>1,600.00</u>	<u>2,660.00</u>	<u>1,060.00</u>	<u>0.00</u>	<u>2,660.00</u>
Total Expenditures	<u>114,622.00</u>	<u>103,645.00</u>	<u>(10,977.00)</u>	<u>98,242.03</u>	<u>5,402.97</u>
Excess of Revenues over Expenditures	<u>9,291.00</u>	<u>22,708.00</u>	<u>13,417.00</u>	<u>25,580.06</u>	<u>2,872.06</u>
Other Financing Sources (Uses)					
Operating Transfers in	0.00	0.00		0.00	0.00
Operating Transfers out	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess of Revenues and Other Over(Under)Expenditures and Other Us	<u>\$ 9,291.00</u>	<u>\$ 22,708.00</u>	<u>\$ 13,417.00</u>	<u>25,580.06</u>	<u>\$ 2,872.06</u>
Fund Balance at Beginning of Year				221,487.74	
Prior Period Adjustment				<u>8,044.19</u>	
Fund Balance at End of Year				<u>\$ 255,111.99</u>	

The accompanying notes are an integral part of the financial statements

Additional Supplemental Information

Adams School
General Fund
Schedule of Revenues
For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Property Taxes	\$ 3,588.00	\$ 3,588.41	\$ 0.41
Interest Income	1,126.00	6,012.70	4,886.70
Special Education	7,015.00	0.00	(7,015.00)
Miscellaneous	0.00	1,307.66	1,307.66
State School Aid	93,090.00	93,088.77	(1.23)
State Aid - At Risk	1,173.00	1,173.81	0.81
Revenue Special Ed headlee	0.00	2,276.80	2,276.80
Reap	17,742.00	16,373.94	(1,368.06)
Reap Carryover	990.00	0.00	(990.00)
Title V	29.00	0.00	(29.00)
Title II	<u>1,600.00</u>	<u>0.00</u>	<u>(1,600.00)</u>
 Total Revenues	 <u><u>\$ 126,353.00</u></u>	 <u><u>\$ 123,822.09</u></u>	 <u><u>\$ (2,530.91)</u></u>

The accompanying notes are an integral part of the financial statements

**Adams School
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Instruction			
Wages	\$ 31,500.00	\$ 31,500.00	\$ 0.00
Substitute Wages	720.00	715.35	4.65
Aide Wages	2,000.00	1,742.10	257.90
At Risk Wages	1,173.00	1,173.00	0.00
Retirement	4,300.00	4,200.62	99.38
FICA	2,600.00	2,525.72	74.28
Worker's Compensation	165.00	51.00	114.00
Employee Benefits	2,050.00	1,850.00	200.00
Contracted Services - Instruction	3,500.00	3,466.55	33.45
Teaching Supplies	300.00	277.14	22.86
Textbooks	300.00	223.53	76.47
Miscellaneous - Field Trips	700.00	425.98	274.02
Title V Expense	29.00	29.00	0.00
Title II D Expense	40.00	40.00	0.00
Title II A Expense	1,560.00	1,560.00	0.00
Total Instruction	<u>50,937.00</u>	<u>49,779.99</u>	<u>1,157.01</u>
Food Services			
Support Services			
Special Education			
Special Education - Wages	5,720.00	5,718.70	1.30
Special Ed - Employee Benefits	500.00	591.57	(91.57)
Special Education - Retirement	960.00	954.41	5.59
Special Education - FICA	450.00	437.49	12.51
Special Education - Supplies	0.00	54.64	(54.64)
Total Special Education	<u>7,630.00</u>	<u>7,756.81</u>	<u>(126.81)</u>
Other Instructional Staff Services			
REAP - Aide Wages	11,000.00	10,007.77	992.23
REAP - Contracted Services	5,538.00	5,980.14	(442.14)
REAP - Meals & Other	300.00	209.96	90.04
REAP - Teaching Supplies	940.00	879.93	60.07
REAP - Periodicals Expense	700.00	678.85	21.15
Total Other Instructional Staff Service	<u>18,478.00</u>	<u>17,756.65</u>	<u>721.35</u>
Administrative			
Board Salaries	3,000.00	3,000.00	0.00
Election Workers Salaries	400.00	311.58	88.42
Contracted Services	6,000.00	5,883.91	116.09
Board Supplies	800.00	707.39	92.61
Total Administrative	<u>10,200.00</u>	<u>9,902.88</u>	<u>297.12</u>
Operating and Maintenance			
Utilities	2,000.00	1,789.43	210.57
Insurance - Property	1,840.00	1,839.00	1.00

The accompanying notes are an integral part of the financial statements

Adams School
General Fund
Schedule of Expenditures
For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
Insurance - Errors & Omissions	1,000.00	759.00	241.00
Contracted Plant Maintenance	2,500.00	4,749.27	(2,249.27)
Custodial Supplies	1,300.00	1,187.43	112.57
Heating Oil	2,800.00	2,721.57	78.43
Miscellaneous	<u>2,300.00</u>	<u>0.00</u>	<u>2,300.00</u>
Total Operating and Maintenance	<u>13,740.00</u>	<u>13,045.70</u>	<u>694.30</u>
Total Support Services	<u>50,048.00</u>	<u>48,462.04</u>	<u>1,585.96</u>
 Capital Outlay			
Capital Outlay	<u>2,660.00</u>	<u>0.00</u>	<u>2,660.00</u>
Total Capital Outlay	<u>2,660.00</u>	<u>0.00</u>	<u>2,660.00</u>
Total Expenditures	<u>\$ 103,645.00</u>	<u>\$ 98,242.03</u>	<u>\$ 5,402.97</u>

The accompanying notes are an integral part of the financial statements



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November 7, 2008

To the School District Board
Adams School
Section Line Road
Bad Axe, MI 48413

During the course of our audit of Adams School for the year ended June 30, 2008, we have developed a few recommendations we feel can improve your financial reporting and record keeping. They are as follows:

1. The school should adopt and review its Chart of Accounts which can be found in the Appendix of the Michigan School Accounting Manual (Bulletin 1022) at http://www.michigan.gov/mde/0,1607,7-140-5235_6539-21321--,00.html.
2. The schools budget should indicate the proper account codes with each line item.
3. The REAP expenses should be broken out according to the account codes. This helps to indicate which expenses are assets that should be depreciated versus other expenses.
4. The school should prepare its own general ledger including the account codes.
5. The bank reconciliations should be tied in with the general ledger.

If you have any questions, or would like to discuss them in more detail, please call.

Very truly yours,

Midwest Accounting, P.C.

Midwest Accounting, P.C.